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Tullock challenges: happiness, revolutions, and democracy

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Abstract Gordon Tullock is one of the most important of the founders and contributors to Public Choice. Two innovations are typical “*Tullock Challenges*.” The first relates to *method*: the measurement of subjective well-being, or happiness. The second relates to *digital social networks*, such as Facebook, Twitter, and to some extent Google. Both innovations lead to strong incentives by governments to manipulate the policy outcomes. In general, “*What is important will be manipulated by the government*.” To restrain government manipulation, one has to turn to Constitutional Economics and increase the possibilities for direct popular participation and federalism or introduce random mechanisms.

Keywords Happiness · Social networks · Constitutional economics · Random mechanisms · Public choice

JEL Classification D72 · H10 · I31 · P16 · D02

Without doubt, Gordon Tullock is one of the most vibrant and important of the founders and contributors to Public Choice. Everybody who has ever met him has to have been impressed by his gift to immediately engage everyone into high-level scholarly arguments, which, in most if not all cases, the other person lost. Almost always, Gordon Tullock proposes a totally unconventional idea followed by an equally wild policy suggestion. He is a real “innovative skeptic” who comes up with “uncommon solutions.”

When I first met Gordon, he immediately criticized me for my totally naïve view of the population’s influence on politics. In particular, he claimed that there has never been a revolution successfully achieved by citizens alone.¹ This was news to me as I am one of those romantic people who believe in revolutions from below.

¹ See Tullock (1971, 1974, 1987). Public Choice contributions influenced by Tullock’s lead are, for example, Bernholz (1991, 1997), Wintrobe (1998), and Kurrild-Klitgaard (2000).

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Knowing that I am from Switzerland, Gordon immediately suggested that I should develop a better political system than democracy, a suggestion that totally flabbergasted me. Like most people, I consider democracy, in particular direct democracy, to be a sanctified institution, and I have no clue how to improve on it.

I greatly enjoyed my interactions with Gordon as they motivated me to think hard about these challenges; however, I must confess that I am far from Gordon's originality in suggesting solutions. As I greatly admire Gordon, it is a great honor for me to have been chosen by the Board of the European Public Choice Society to present the *First Tullock Lecture*.

I call my subject "*Tullock Challenges*"—and it encompasses those open issues identified by the kind of thinking that Gordon represents. I chose two innovations, which as far as I am aware Gordon did not deal with because they are quite recent. The first innovation is one of *method*: It has become possible to measure subjective well-being, or happiness. It is one of the noteworthy results of modern happiness research to demonstrate that such measurements make sense and are reliable. The possibility of measuring happiness has had important policy consequences; for example, countries like France and the United Kingdom now engage in policies designed to *maximize happiness*.

The second innovation is the emergence of *digital social networks* such as Facebook, Twitter, to some extent Google, and other Internet platforms. The policy consequences may be that *revolutions from below* appear to be possible now. Examples from Tunisia, Egypt, Libya, as well as other Arabic countries and beyond may be pointing in this direction.

The challenge is to understand the consequences that these two innovations have for society and how political measures can make them beneficial for the people. Although the two innovations are on a quite different level, there is nevertheless a common theme. My argument is that both innovations lead to strong incentives by governments to influence policy outcomes. The *manipulation principle* proposes: "*What is important will be manipulated by the government.*" Thus, I claim that governments will manipulate the happiness indicators and the digital social networks in their favor. This is a generalization of the well-known result from Social Choice Theory that all democratic preference aggregations can be manipulated.

Section 1 discusses the effect on politics of the innovation of measuring happiness, and Sect. 2 addresses the innovation of digital social networks. Section 3 looks at what can be done to mitigate or prevent manipulation by governments while helping to fulfill individual preferences. I argue that we have to turn to Constitutional Economics and do two things: expand the possibilities for direct popular participation and introduce random decision-making mechanisms.² Section 4 closes by considering what Gordon Tullock has taught us with respect to these issues.

1 The happiness innovation

1.1 Measuring subjective well-being

Human beings want to be happy: This is the view that most philosophers share. In particular, Aristotle stressed that happiness is a desirable goal of most people in all periods. The innovation thus does not relate to happiness as such but to the possibility of measur-

²This is, of course, another major contribution by Gordon; see the major influence of Buchanan and Tullock's (1962) book.

ing it in a reliable way. Economists have traditionally assumed that utility cannot be measured; therefore, microeconomics was developed without the need to measure it. Instead, the assumption is that individuals maximize their utility subject to constraints, which yields empirically testable propositions. In contrast, psychologists have measured happiness for a considerable number of years by carefully administered representative surveys. Only recently,³ economists have noted this innovation and have started to use the corresponding data.⁴ These data are of good quality and can be used for serious econometric estimates. In particular, measured subjective happiness correlates highly and robustly with objectively measurable aspects that most people associate with “true” happiness, such as that happy people smile more (captured by the inimitable so-called “Duchenne smile”), initiate more social interactions, are more energetic, flexible, creative and optimistic, and are less prone to commit suicide.

Most studies in economics use “life satisfaction” based on carefully administered representative surveys that capture a longer-run and cognitive self-evaluation of subjective well-being.⁵ In contrast, “happiness” relates to a short-run, affective mode. However, in line with much of the scholarly literature, I use the terms “happiness” and “life satisfaction” interchangeably as long as no confusion arises.

Today, happiness research has become a thriving field.⁶ Interdisciplinarity is one of its major characteristics. In addition to psychologists and now economists, there are political scientists and sociologists involved in the field. The techniques of analysis are quite similar so that there is more extensive cross-fertilization than in most other areas of scientific inquiry.

1.2 Determinants of happiness

Some of the most important determinants of happiness are also relevant for policymaking. These factors refer to the contemporaneous estimates, and they are similar for a large number of countries, quite irrespective of their income levels. The results listed are partial effects keeping all other influences constant.

Economic determinants:

- Higher income clearly produces more happiness.⁷
- The unemployed are much less happy than are those having a job.
- The self-employed are happier than those working as employees despite the fact that they tend to work longer hours, carry more risk, and often earn less.
- Giving and voluntary work raise the happiness of those engaged in these activities.

³A forerunner is Easterlin (1974).

⁴Examples are the General Social Survey, the European Social Survey, the German Socio-Economic Panel, the British Household Panel, the World Value Survey, or the World Gallup Poll.

⁵Representative surveys are only one technique for measuring subjective well-being. Other techniques are, for example, the Experience Sampling Method, the Day Reconstruction Method, the U-Index, or brain scanning.

⁶See, for example, the survey articles by Oswald (1997), Frey and Stutzer (2002a), Dolan et al. (2008) and the monographs by Kahneman et al. (1999), Frey and Stutzer (2002b), Van Praag and Ferrer-i-Carbonell (2004), Layard (2005), and Frey (2008).

⁷Moreover, most studies find a strongly diminishing marginal effect, but Cullis et al. (2011a, 2011b) find a linear relationship at least for European countries.

Social determinants:

- Religious persons are happier than those who do not believe in God or in some higher power and who do not attend religious ceremonies.
- Those with a close-knit family are happier than those without.
- Personal relationships such as having friends and entertaining many social contacts raise happiness.

Political determinants:

- People are happier in democratic polities; they value the political participation possibilities in a constitutionally guaranteed process above and beyond the outcomes (they reap procedural utility).
- The more decentralized the political decisions, that is, the closer they are to the citizens the happier people are.
- “Good government” contributes to happiness.

Psychological effects:

- Human beings evaluate their own happiness level relative to other persons. They compare themselves to reference groups endogenously chosen. In particular, when individuals experience higher income, they compare themselves to other persons whose income also might have risen.
- People adapt to new circumstances. In the extreme, this leads to the “Easterlin Paradox,” which suggests that economic growth does not raise happiness as people continually and fully adjust their expectations upwards.

1.3 Policy conclusions

Based on the insights from happiness research, not only do a number of prominent scholars, such as Robert Frank, Richard Layard, Ruut Veenoven, or Andrew Oswald,⁸ but also politicians, such as French President Sarkozy (see Stiglitz et al. 2009), British Prime Minister David Cameron, as well as the People’s Republic of China, conclude that governments should use these results to “*maximize happiness*.” Even earlier, the Kingdom of Bhutan decided to maximize Gross National Happiness instead of Gross National Product (see Ura and Galay 2004).

A number of concrete policies have been suggested, but it suffices here to mention two of them to capture their gist.

- Due to the insight of happiness research that individuals tend to compare themselves to others, those who experience an income increase impose a negative external effect on other persons. This produces a rat race where no one is better off despite investing much effort in “keeping up with the Joneses.” Scholars such as Frank (1999) and Layard (2007) propose to (heavily) tax these external effects by equalizing incomes.
- Unemployed persons are much less happy than employed ones, but this effect is mitigated when the unemployed live in areas where many other persons are unemployed.⁹ The unemployed compare their fates with other persons, and, when many others are also unemployed, they feel somewhat less unhappy. It follows that policy makers should be less bothered by the pockets of high unemployment as people there are less unhappy than those in areas with little unemployment.

⁸For example, Blanchflower and Oswald (2005), Veenhoven (2010), and, in general, De Prycker (2010: 587).

⁹See, for example, Winkelmann and Winkelmann (1998), Di Tella et al. (2003), and Clark (2003).

1.4 Arguments against the government maximizing happiness

There are various arguments why governments should *not* pursue the goal of maximizing an index representing people's happiness. They have been expounded in Frey and Stutzer (2010) and need not be repeated here. In the context of the *Tullock Challenges*, the major counterargument against the government maximizing happiness is that it will manipulate the happiness index.

Proposition 1 *As soon as the happiness index has become an official goal of government policy, the government will manipulate it.*

Such behavior is not surprising—at least to a political economist—nevertheless, it has largely been ignored when it comes to government policy. In the social sciences, there is a similar idea known as Campbell's Law (1976), which states that the more intensively a quantitative indicator is used for policy purposes the more it is subject to distorting and biasing social processes. In economic theory, Goodhart's Law (1975) points out the informational aspect. It suggests that once an economic indicator, in particular the stock of money, becomes an economic policy target it loses the information content that would qualify it to play such a role. The Lucas Critique (1976) states that the structure of an econometric system tends to break down when policy interventions are undertaken. Power (1997), Strathern (2000), and Frey and Osterloh (2010) analyzed the reactivity of persons when they were subjected to audits, rankings, and other assessments. Jacob and Levitt (2003) showed that schools subject to standardized tests gave them incentives to cheat, such as “teaching to the test,” excluding weak students from attending school when the test was to take place, or excluding the weak students from the school altogether. Espeland and Sauder (2007) empirically studied the response of American business schools to their rankings, thus undermining their usefulness. All this reminds us of the fundamental problem in preference aggregation that all democratic voting schemes that purport to choose a winner from at least three candidates can be manipulated (Gibbard 1973; Satterthwaite 1975; for a recent account, Szpiro 2010). However, in contrast to the above proposition, social choice theory does not focus on a particular actor's incentive to manipulate.

Governments for a long time have influenced aggregate policy indicators or used “creative accounting” (e.g., De la Torre 2009) in their favor (see, e.g., the empirical evidence provided by Von Hagen and Wolff 2006; Dafflon and Rossi 1999; and Forte 2001). Many different governments have manipulated GNP numbers by introducing parts of the shadow economy into the official measure or by just assuming particular changes in the productivity of the public sector. Most governments have manipulated the published rate of unemployment by resorting to updated definitions or simply by removing people from the pool of unemployed (e.g., Gregg 1994; Webster 2002). During the recent Euro-crisis, several governments demonstrated how easy it was to manipulate budget deficits and the size of the public debt (e.g., Milesi-Ferretti 2003).

The possibility of manipulating the happiness index is considerably greater when looking at government indicators than public sector indicators because the basis of the government index is representative surveys of subjective evaluations. It is quite easy to distort the representativeness in favor of the government, for example, by excluding unhappy persons who are difficult to reach (such as the homeless). The government can manipulate the index by excluding or including persons staying in the country only for a limited period, those considered mentally ill, or those incarcerated. Another possibility for manipulating the happiness

indicator is by choosing a regional representation of surveys, giving more weight to regions more supportive of the government. The government also can exclude outliers, for example, persons stating that their life satisfaction is abysmally low by arguing that their answers are not to be taken seriously. In fact, governments may be expected to exhibit a great deal of ingenuity in manipulating the happiness indicator in their favor.

Even if for some reason it was not possible or suitable to manipulate the existing happiness index, governments have a way out. They can introduce a *new happiness* indicator claiming that it captures the relevant or “true” happiness of the population in a better way. In actuality, they would introduce it because it is more favorable to the politicians in power. For instance, the government can construct a new happiness indicator that gives less weight to fewer unhappy people due to their low incomes, unfortunate life experiences, or living in disadvantaged regions. This raises the “official” happiness score to benefit the politicians in power—at least as long as the population can be fooled.

1.5 Consequences

What is important will be manipulated; this is the *manipulation principle*. Politicians pursuing their own goals of personal power, recognition, ideology, and income and who seek to stay in government have a strong incentive to manipulate the happiness index that they claim to maximize. The result is a policy that does not correspond to the preferences of the population. Rather, it leads to a systematic deviation from this democratic goal and obfuscates the performance of government. I therefore conclude that governments should *not* maximize happiness. In Sect. 3, I try to indicate in what ways governments can use the insights of happiness research to improve the lot of the population.

2 Digital innovations and revolutions

2.1 Digital social networks

Over the last years, surveillance by closed-circuit television has expanded rapidly. In some countries, such as Italy and the United Kingdom, many people are continually being monitored. Google’s “street view” goes in the same direction. This raises a government’s ability to control its population and to prevent any signs of discontent with its policies.

In contrast, Internet forums or digital social networks, such as Facebook, Twitter, and to some extent Google, as well as Wikileaks,¹⁰ often are claimed to be “democratic instruments,”¹¹ which help citizens to regain their position vis-à-vis government. The digital social networks facilitate an exchange of views between a wide set of persons at very low or no entry cost and are open to anyone. It seems to be close to the philosophical idea of an unconstrained discourse (Habermas 1996). This democratic function has become visible in the revolutions recently taking place in Tunisia, Egypt, and Libya, and the antigovernment demonstrations in several other countries including Iran, Syria, and the People’s Republic of China (see, e.g., Sreberny and Kiabarny 2010).

¹⁰Internet social networks are discussed, for example, in Watts (1999), Wellmann (1999, 2001), Bell and Kennedy (2000), or Castells (2010).

¹¹For example, by the U.S. government. See *Economist*, 2011, January 8: 74–75. Scholarly discussions of Internet politics are provided by Chadwick (2006) and Chadwick and Howard (2009).

2.2 Government manipulations

Digital social networks are an innovation that not only serves individuals who want to express and discuss their opinions but also presents new opportunities for the politicians in power to manipulate information and to control the population.¹²

Proposition 2 *Governments have an incentive to manipulate digital social networks in their favor.*

There are four major avenues for governments to exploit the Internet's innovations to further their own goals (see also Morozov 2010):

- (1) Persons active on the Internet not only interact with other users but also can be identified by the police and secret service. Consequently, the use of these platforms is dangerous.
- (2) Independent suppliers of Internet information such as Wikileaks can be haunted, persecuted, and silenced, and Internet providers not conforming to the wishes of the government can be shut down (see *Economist*, 2011, February 12).
- (3) Governments can capture the Internet by employing professional pro-government bloggers. As a result, digital social networks are undermined.
- (4) Finally, governments can use the possibilities provided by the Internet to divert attention from politics. It can provide attractive films, video clips, sporting events, celebrity news, or pornography shows so that the incentive to demonstrate or revolt is decreased or vanishes altogether. There is concrete evidence from the former German Democratic Republic (Kern and Hainmueller 2009) that such “opium for the masses” may indeed work. At one point in time, parts of that country were able to receive TV channels from West Germany, whereas other parts did not and could only consume the incessant and boring propaganda from the communist rulers. One would expect that those who could see the much higher living standard and freedom in the West every evening would be more opposed to the GDR government. In fact, the opposite was true. East Germans exposed to West German TV were *more* satisfied with life in East Germany (e.g., they made fewer applications for exit visas). This seemingly paradoxical result can be attributed to TV being primarily a source of entertainment based mainly on the presentation of luxury, celebrities, and erotic scenes. Television viewers did not threaten the communist government because they were too much occupied vicariously consuming the Western life style.

This case suggests that governments may actively use digital platforms to provide entertainment and to dampen political unrest. The idea that “no dictator in the world can stop Facebook” (a recent title in a German newspaper) is naïve—and Gordon Tullock would certainly be one of the first to agree with that verdict. Governments have indeed a strong incentive to manipulate Internet innovations.

It could be argued that the recent events in Tunisia, Egypt, and Libya indicate that the existing digital social networks helped to topple dictatorial governments, which may be true but also might be the exception rather than the rule. The means of Internet communication are relatively recent innovations, and the respective Arab governments therefore were not sufficiently prepared to counter the danger. It also may be argued that these dictatorships were technically and mentally incapable of meeting this challenge. It must, however,

¹²Governments have a long history of manipulating the population, for example by the “panem et circenses” policy in ancient Rome.

be assumed that other authoritarian governments will quickly learn once they realize how dangerous digital social networks can become to them. Moreover, it is not clear whether revolutions based on digital networks are really effective. The activity induced takes place at an individualistic level and reflects “flash campaigns” devoted to ever-new issues. In contrast, the establishment of a new, more democratic, government must be based on a dependable and stable constitutional framework.

2.3 New digital equilibrium

Internet forums are an innovation that is raising the possibility of individuals expressing their political preferences and of governments counteracting and influencing those preferences. It is therefore mistaken to assume that this innovation is a unique force furthering revolutions from below. Gordon Tullock’s skepticism with such “romantic” views holds also in the age of digital social networks. Public Choice scholars have the task of analyzing the determinants of the new equilibrium driven by the digital innovation. The conditions under which the innovation can be exploited by individuals and politicians in power need to be carefully identified. This presents a major challenge.

3 How to restrain government manipulation

3.1 Independent bodies

The innovations produced by the ability to measure happiness and to engage in digital social networks enlarge governments’ scope for manipulating individual preferences. The only way to check this incentive is to change the rules of the game. One possibility is to establish *independent political bodies* (see Eichenberger and Schelker 2006). The idea of a judicial branch that is independent from the government is part of the classical division of power. More recently, central banks have been given a status of independence vis-à-vis the government. To prevent the manipulation of the happiness index (as well as of other macroeconomic indicators), one might establish an *independent statistical office*. To prevent the manipulation of digital social networks, one might establish an *independent telecommunications agency*.

It is doubtful whether bodies can be constructed that are really independent of the government, in particular in countries without such traditions. This even applies for central banks. There are only very few in the world that cannot be forced by the politicians in power to follow their wishes and orders. Governments often manipulate formally independent central banks. Even if the independent bodies are able to maintain their discretion with respect to the tasks assigned to them, governments find it easy to circumvent them. A statistical office in charge of the happiness index would find it difficult to prevent the government from introducing a new, more favorable index. A telecommunications agency could hardly prevent the government from interfering in new ways with digital social networks. It is therefore advisable to look into more fundamental *constitutional rules* in order to restrict governmental manipulation of the population. Section 3.2 proposes stronger political participation possibilities, and Section 3.3 a more extensive use of random selection mechanisms.

3.2 Stronger political participation possibilities

Authoritarian systems as well as representative democracies are prone to give professional politicians extensive powers. A “political class” emerges that tends to act in its own interest

while disregarding the wishes of the population. Empirical research in Public Choice (see, in particular, Kirchgässner et al. 1999) has demonstrated that extending the popular participation rights of the citizens via initiatives, referendums, and recall may restrain governments significantly. The same holds for the decentralization of political decisions in traditional federalism and newer forms (such as, e.g., Functional Overlapping Competing Jurisdictions; see Frey and Eichenberger 1999). These constitutional rules lead to more fully informed and active citizens (as shown empirically by Benz and Stutzer 2004) and to more confident citizens, who are better able to resist government manipulation.¹³ They are more aware of a government's intention to modify or exchange the happiness indicator as well as the extent to which it interferes with the digital social networks.

3.3 Random mechanisms

The use of probabilistic elements in politics can be seen as an extension of democracy. In contrast to a traditional definition of democracy that is focused on the right to vote, it leads to a closer reflection of individual preferences in political bodies and decisions. It can be considered a disregarded form of government in the tradition of Gordon Tullock.

Random selection mechanisms allow an exact representation of citizens' preferences and undermine the attempts of governments to manipulate their citizens. Moreover, it avoids the growing costs of running a voting system consisting of the monetary expenditures for an election campaign,¹⁴ as well as in the attention devoted by reigning politicians and their contenders. Random selection may be used widely to choose the members of parliament (either one or both chambers), the executives at the various levels of government, and the judiciary.

Random systems are not new. Indeed, in antiquity, various city-states, in particular Athens, employed them to prevent corruption and violence in election campaigns. In Venice, the doges were elected by a combination of random selection and votes. In some countries, juries are selected by lot as are the "Planungszellen" in Germany and "Citizens Juries" in the United States and Australia. Many political bodies use the lot in order to reach a decision when there is an equality of votes.

The idea is also rooted in democratic political theory. Aristotle in his *Politeia* (book 4) even takes the choice of rulers by lot as the only democratic one; he considers elections to necessarily be oligarchic. In Public Choice theory random referendums (Frey 1969), probabilistic models in social choice (Intriligator 1973) and in models of voting by veto (Mueller 1978) have been suggested. An extreme champion of random mechanisms in politics is Burnheim (1985) who wants to abandon elections by voting as the representation of the will of the citizens (Rousseau 1762/1937) altogether. Burnheim discusses several possible objections (pp. 164–179). Most of them echo those raised against direct democracy. Randomly selected citizens are said to lack the competence and interest to engage in politics, and they tend to be dominated by experts and bureaucracy. Demarchic bodies moreover are not accountable because their members are not eligible for reappointment.¹⁵

¹³ As Frey and Stutzer (2000) suggest, citizens in more directly democratic units are, *ceteris paribus*, happier, which further activates them. Note, however, the more skeptical results in Dorn et al. (2007); see also Bjørnskov et al. (2008).

¹⁴ In 2008, the elections for the U.S. president, 435 members of the House of Representatives, and 33 Senators are estimated to have cost 5.3 billion dollars (*Focus*, October 30, 2008, <http://www.focus.de/>, accessed April 28, 2011).

¹⁵ Buchstein (2009) provides a useful survey of aleatoric democracy; the relationship to anarchy is discussed in Martin (1995-6).

These arguments against random choice in politics are valid only partly and should be compared to the problems of electoral democracy such as the emergence of a “class politique” pursuing its own goals instead of those of the population, or the restrictive effect of the need for reelection to induce the politicians to act in the interest of the citizens. As has already been pointed out, in countries such as the United States, the United Kingdom, France, and Germany, election campaigns cost huge amounts of money and divert a considerable share of the attention of politicians from problems of great importance to the population. Elections also provide an excellent avenue for special interest groups to exert undue influence. It cannot be denied that, at least on average, randomly chosen citizens are less educated than the average politician and perhaps are also less interested in political affairs. However, it should not be forgotten that the politicians chosen by lot can use the advice provided by experts and public officials; that is, they do not need to be technically competent. Their task is to evaluate alternatives in light of their preferences and life experiences.¹⁶ If missing competence were indeed the crucial issue, a democracy such as Switzerland that relies on its citizens deciding all major issues by referenda would have failed long ago. The opposite is the case.¹⁷ This suggests that the idea of random elements to reflect better the preferences of the population should be taken more seriously than it has been.

4 What can we learn from Gordon Tullock

There are three aspects where we can profit directly from Gordon Tullock’s way of looking at the world.

- (1) “The world is changing, and politico-economic analysis should be aware of the innovations occurring.” Here, I have chosen the measurement of happiness and the emergence of digital social networks as examples.
- (2) “Do not be naïve.” Innovations do provide new options to further democracy, but it should not be overlooked that, at the same time, they offer new possibilities for governments to manipulate the population. It has been argued here that governments are subject to the manipulation principle and to influence the happiness index as well as digital social networks for their benefit.
- (4) “Seek new solutions.” Proposals should be made to go beyond the existing constitutional setting. The government’s incentives to manipulate the happiness data and the digital social networks should be restrained by extending the direct political participation rights of the citizens. Random elements should play a larger role in the legislative, executive, and judicial branches of government. These changes help citizens to be better informed and more self-confident and should prevent the emergence of a political class serving its own interests.

This paper has been inspired by Gordon Tullock’s example, which I am proud to follow but incapable of matching.

¹⁶The German writer Hans Magnus Enzensberger aptly quipped that professional politicians are the only people who never did any serious work; their lives consists of sitting in meetings and giving more or less competent talks and interviews.

¹⁷Switzerland is usually ranked second in happiness rankings (behind Denmark), has a high standard of living, is well organized and is very attractive to immigrants.

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